

AMENDED IN ASSEMBLY MARCH 18, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 2080

Introduced by Assembly Member Hernandez

February 18, 2010

~~An act to amend Section 53508.9 of the Government Code, relating to bonds.~~ *An act to amend Sections 6585, 6588, 6588.7, 6590, 6591, 6592, and 6599.3 of the Government Code, relating to joint powers authorities.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2080, as amended, Hernandez. ~~Bonds: local agencies. Joint powers authorities: government receivables.~~

Existing law authorizes joint powers authorities to, among other things, issue bonds and loan the proceeds to local agencies to finance specified types of projects and programs. Existing law also authorizes a joint powers authority to purchase, with the proceeds of its bonds or its revenue, a local agency's right to payment of moneys due or to become due to a local agency in connection with specified provisions of law, which rights of payment are defined as VLF receivables and Proposition 1A receivables. Existing law permits a joint powers authority to pledge, assign, resell, or otherwise transfer these receivables for the purpose of securing bonds issued to finance the purchase price of the receivables, subject to specified criteria. Existing law limits the aggregate amount of all bonds issued in connection with Proposition 1A receivables and permits a joint powers authority to charge a fee to a local agency from which it purchases a Proposition 1A receivable.

This bill would authorize a joint powers authority to purchase, with the proceeds of its bonds or its revenue, a local agency's right to payment of moneys due or to become due to a local agency from the federal government in connection with direct subsidy payments related to Buy America Bonds, which would be defined as government receivables. The bill would authorize local agencies to make these sales. The bill would permit the authority to pledge the government receivables to the payment of bonds issued by the authority or to resell them to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other government receivables. The bill would also make various conforming changes.

~~Existing law regulates the sale of securities by local agencies. Existing law permits specified local agencies to sell bonds at a negotiated sale for a price at, above, or below par value, as authorized by the legislative body, without further approval, if the legislative body adopts a resolution before the sale, as an agenda item at a public meeting, that includes specified items.~~

~~This bill would make a nonsubstantive, technical change to these provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6585 of the Government Code is amended
2 to read:

3 6585. The definitions in this section shall govern the
4 construction and interpretation of this article.

5 (a) (1) Except as provided in paragraphs (2) and (3), "authority"
6 means an entity created pursuant to Article 1 (commencing with
7 Section 6500).

8 (2) In the case of an authority issuing bonds pursuant to this
9 chapter in which VLF receivables, as defined in subdivision (j),
10 are pledged to the payment of the bonds, other than VLF
11 receivables so pledged for a county of the first class, an authority
12 shall consist of not less than 100 local agencies.

13 (3) In the case of an authority issuing bonds pursuant to this
14 chapter in which Proposition 1A receivables, as defined in
15 subdivision (g), are pledged to the payment of the bonds, an
16 authority shall consist of not less than 250 local agencies.

1 (b) “Bond purchase agreement” means a contractual agreement
2 executed between the authority and the local agency whereby the
3 authority agrees to purchase bonds of the local agency.

4 (c) “Bonds” means all of the following:

5 (1) Bonds, including, but not limited to, assessment bonds,
6 redevelopment agency bonds, government issued mortgage bonds,
7 and industrial development bonds.

8 (2) Notes, including bond, revenue, tax, or grant anticipation
9 notes.

10 (3) Commercial paper, floating rate and variable maturity
11 securities, and any other evidences of indebtedness.

12 (4) Certificates of participation or lease-purchase agreements.

13 (d) “Cost,” as applied to a public capital improvement or portion
14 thereof financed under this part, means all of the following:

15 (1) All or any part of the cost of construction, renovation, and
16 acquisition of all lands, structures, real or personal property, rights,
17 rights-of-way, franchises, easements, and interests acquired or
18 used for a public capital improvement.

19 (2) The cost of demolishing or removing any buildings or
20 structures on land so acquired, including the cost of acquiring any
21 lands to which the buildings or structures may be moved; the cost
22 of all machinery and equipment.

23 (3) Finance charges.

24 (4) Interest prior to, during, and for a period after, completion
25 of that construction, as determined by the authority.

26 (5) Provisions for working capital, reserves for principal and
27 interest and for extensions, enlargements, additions, replacements,
28 renovations, and improvements.

29 (6) The cost of architectural, engineering, financial and legal
30 services, plans, specifications, estimates, and administrative
31 expenses.

32 (7) Other expenses necessary or incident to determining the
33 feasibility of constructing any project or incident to the construction
34 or acquisition or financing of any public capital improvement.

35 (e) *“Government receivable” means any payment or right to*
36 *payment for moneys due, or to become due, to a local agency from*
37 *the federal government in the form of direct subsidy payments*
38 *under Section 6431 of Title 26 of the United States Code, with*
39 *respect to Build America Bonds. “Government receivable” also*

1 *means any residual interests retained or received by the local*
2 *agency in connection with the sale of governmental receivables.*

3 ~~(e)~~

4 (f) “Legislative body” means the governing body of a local
5 agency.

6 ~~(f)~~

7 (g) “Local agency” means a party to the agreement creating the
8 authority, or an agency or subdivision of that party, sponsoring a
9 project of public capital improvements, or any city, county, city
10 and county, authority, district, or public corporation of this state.

11 ~~(g)~~

12 (h) “Proposition 1A receivable” means the right to payment of
13 moneys due or to become due to a local agency, pursuant to clause
14 (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of
15 Section 25.5 of Article XIII of the California Constitution and
16 Section 100.06 of the Revenue and Taxation Code.

17 ~~(h)~~

18 (i) “Public capital improvements” means one or more projects
19 specified in Section 6546.

20 ~~(i)~~

21 (j) “Revenue” means income and receipts of the authority from
22 any of the following:

23 (1) A bond purchase agreement.

24 (2) Bonds acquired by the authority.

25 (3) Loans installment sale agreements, and other
26 revenue-producing agreements entered into by the authority.

27 (4) Projects financed by the authority.

28 (5) Grants and other sources of income.

29 (6) VLF receivables purchased pursuant to Section 6588.5.

30 (7) Proposition 1A receivables purchased pursuant to Section
31 6588.6.

32 (8) *Government receivables purchased pursuant to Section*
33 *6588.7.*

34 ~~(8)~~

35 (9) Interest or other income from any investment of any money
36 in any fund or account established for the payment of principal or
37 interest or premiums on bonds.

38 ~~(j)~~

39 (k) “VLF receivable” means the right to payment of moneys
40 due or to become due to a local agency out of funds payable in

1 connection with vehicle license fees to a local agency pursuant to
2 Section 10754.11 of the Revenue and Taxation Code.

3 ~~(k)~~

4 (l) “Working capital” means money to be used by, or on behalf
5 of, a local agency for any purpose for which a local agency may
6 borrow money pursuant to Section 53852, or for any purpose for
7 which a VLF receivable~~or~~, a Proposition 1A receivable, *or a*
8 *government receivable* sold to an authority could have been used
9 by the local agency.

10 SEC. 2. *Section 6588 of the Government Code is amended to*
11 *read:*

12 6588. In addition to other powers specified in an agreement
13 pursuant to Article 1 (commencing with Section 6500) and Article
14 2 (commencing with Section 6540), the authority may do any or
15 all of the following:

16 (a) Adopt bylaws for the regulation of its affairs and the conduct
17 of its business.

18 (b) Sue and be sued in its own name.

19 (c) Issue bonds, including, at the option of the authority, bonds
20 bearing interest, to pay the cost of any public capital improvement,
21 working capital, or liability or other insurance program. In addition,
22 for any purpose for which an authority may execute and deliver
23 or cause to be executed and delivered certificates of participation
24 in a lease or installment sale agreement with any public or private
25 entity, the authority, at its option, may issue or cause to be issued
26 bonds, rather than certificates of participation, and enter into a
27 loan agreement with the public or private entity.

28 (d) Engage the services of private consultants to render
29 professional and technical assistance and advice in carrying out
30 the purposes of this article.

31 (e) As provided by applicable law, employ and compensate
32 bond counsel, financial consultants, and other advisers determined
33 necessary by the authority in connection with the issuance and sale
34 of any bonds.

35 (f) Contract for engineering, architectural, accounting, or other
36 services determined necessary by the authority for the successful
37 development of a public capital improvement.

38 (g) Pay the reasonable costs of consulting engineers, architects,
39 accountants, and construction, land-use, recreation, and
40 environmental experts employed by any sponsor or participant if

1 the authority determines those services are necessary for the
2 successful development of public capital improvements.

3 (h) Take title to, and sell by installment sale or otherwise, lands,
4 structures, real or personal property, rights, rights-of-way,
5 franchises, easements, and other interests in lands that are located
6 within the state that the authority determines are necessary or
7 convenient for the financing of public capital improvements, or
8 any portion thereof.

9 (i) Receive and accept from any source, loans, contributions,
10 or grants, in either money, property, labor, or other things of value,
11 for, or in aid of, the construction financing, or refinancing of public
12 capital improvement, or any portion thereof or for the financing
13 of working capital or insurance programs, or for the payment of
14 the principal of and interest on bonds if the proceeds of those bonds
15 are used for one or more of the purposes specified in this section.

16 (j) Make secured or unsecured loans to any local agency in
17 connection with the financing of capital improvement projects,
18 working capital or insurance programs in accordance with an
19 agreement between the authority and the local agency. However,
20 no loan shall exceed the total cost of the public capital
21 improvements, working capital or insurance needs of the local
22 agency as determined by the local agency and by the authority.

23 (k) Make secured or unsecured loans to any local agency in
24 accordance with an agreement between the authority and the local
25 agency to refinance indebtedness incurred by the local agency in
26 connection with public capital improvements undertaken and
27 completed.

28 (l) Mortgage all or any portion of its interest in public capital
29 improvements and the property on which any project is located,
30 whether owned or thereafter acquired, including the granting of a
31 security interest in any property, tangible or intangible.

32 (m) Assign or pledge all or any portion of its interests in
33 mortgages, deeds of trust, indentures of mortgage or trust, or
34 similar instruments, notes, and security interests in property,
35 tangible or intangible, of a local agency to which the authority has
36 made loans, and the revenues therefrom, including payment or
37 income from any interest owned or held by the authority, for the
38 benefit of the holders of bonds issued to finance public capital
39 improvements. The pledge of moneys, revenues, accounts, contract
40 rights, or rights to payment of any kind made by or to the authority

1 pursuant to the authority granted in this part shall be valid and
2 binding from the time the pledge is made for the benefit of the
3 pledgees and successors thereto, against all parties irrespective of
4 whether the parties have notice of the claim.

5 (n) Lease the public capital improvements being financed to a
6 local agency, upon terms and conditions that the authority deems
7 proper; charge and collect rents therefor; terminate any lease upon
8 the failure of the lessee to comply with any of the obligations of
9 the lease; include in any lease provisions that the lessee shall have
10 options to renew the lease for a period or periods, and at rents as
11 determined by the authority; purchase or sell by an installment
12 agreement or otherwise any or all of the public capital
13 improvements; or, upon payment of all the indebtedness incurred
14 by the authority for the financing or refinancing of the public
15 capital improvements, the authority may convey any or all of the
16 project to the lessee or lessees.

17 (o) Charge and apportion to local agencies that benefit from its
18 services the administrative costs and expenses incurred in the
19 exercise of the powers authorized by this article. These fees shall
20 be set at a rate sufficient to recover, but not exceed, the authority's
21 costs of issuance and administration. The fee charged to each local
22 obligation acquired by the pool shall not exceed that obligation's
23 proportionate share of those costs. The level of these fees shall be
24 disclosed to the California Debt and Investment Advisory
25 Commission pursuant to Section 6599.1.

26 (p) Issue, obtain, or aid in obtaining, from any department or
27 agency of the United States or of the state, or any private company,
28 any insurance or guarantee to, or for, the payment or repayment
29 of interest or principal, or both, or any part thereof, on any loan,
30 lease, or obligation or any instrument evidencing or securing the
31 same, made or entered into pursuant to this article.

32 (q) Notwithstanding any other provision of this article, enter
33 into any agreement, contract, or any other instrument with respect
34 to any insurance or guarantee; accept payment in the manner and
35 form as provided therein in the event of default by a local agency;
36 and assign any insurance or guarantee that acts as security for the
37 authority's bonds.

38 (r) Enter into any agreement or contract, execute any instrument,
39 and perform any act or thing necessary, convenient, or desirable
40 to carry out any power authorized by this article.

1 (s) Invest any moneys held in reserve or sinking funds, or any
2 moneys not required for immediate use or disbursement, in
3 obligations that are authorized by law for the investment of trust
4 funds.

5 (t) At the request of affected local agencies, combine and pledge
6 revenues to public capital improvements for repayment of one or
7 more series of bonds issued pursuant to this article.

8 (u) Delegate to any of its individual parties or other responsible
9 individuals the power to act on its behalf subject to its general
10 direction, guidelines, and oversight.

11 (v) Purchase, with the proceeds of its bonds or its revenue, bonds
12 issued by any local agency at public or negotiated sale. Bonds
13 purchased pursuant to this subdivision may be held by the authority
14 or sold to public or private purchasers at public or negotiated sale,
15 in whole or in part, separately or together with other bonds issued
16 by the authority.

17 (w) Purchase, with the proceeds of its bonds or its revenue, VLF
18 receivables sold to the authority pursuant to Section 6588.5. VLF
19 receivables so purchased may be pledged to the payment of bonds
20 issued by the authority or may be resold to public or private
21 purchasers at public or negotiated sale, in whole or in part,
22 separately or together with other VLF receivables purchased by
23 the authority.

24 (x) (1) Purchase, with the proceeds of its bonds or its revenue,
25 Proposition 1A receivables pursuant to Section 6588.6. Proposition
26 1A receivables so purchased may be pledged to the payment of
27 bonds issued by the authority or may be resold to public or private
28 purchasers at public or negotiated sales, in whole or in part,
29 separately or together with other Proposition 1A receivables
30 purchased by the authority.

31 (2) (A) All entities subject to a reduction of ad valorem property
32 tax revenues required under Section 100.06 of the Revenue and
33 Taxation Code pursuant to the suspension set forth in Section
34 100.05 of the Revenue and Taxation Code shall be afforded the
35 opportunity to sell their Proposition 1A receivables to the authority.

36 (B) If these entities offer Proposition 1A receivables to the
37 authority for purchase and duly authorize the sale of the Proposition
38 1A receivable pursuant to documentation approved by the
39 authority, the authority shall purchase all Proposition 1A
40 receivables so offered to the extent it can sell bonds therefor. If

1 the authority does not purchase all Proposition 1A receivables
2 offered, it shall purchase a pro rata share of each entity's offered
3 Proposition 1A receivables.

4 (C) The authority may establish a deadline, no earlier than
5 November 3, 2009, by which these entities shall offer their
6 Proposition 1A receivables for sale to the authority and complete
7 the application required by the authority.

8 (3) For purposes of meeting costs incurred in performing its
9 duties relative to the purchase and sale of Proposition 1A
10 receivables, the authority shall be authorized to charge a fee to
11 each entity from which it purchases a Proposition 1A receivable.
12 The fee shall be computed based on the percentage value of the
13 Proposition 1A receivable purchased from each entity, in relation
14 to the value of all Proposition 1A receivables purchased by the
15 authority. The amount of the fee shall be paid from the proceeds
16 of the bonds and shall be included in the principal amount of the
17 bonds.

18 (4) Terms and conditions of any and all fees and expenses
19 charged by the authority, or those it contracts with, and the terms
20 and conditions of sales of Proposition 1A receivables and bonds
21 issued pursuant to this subdivision, including the terms of optional
22 early redemption provisions, if any, shall be approved by the
23 Treasurer and the Director of Finance, who shall not unreasonably
24 withhold their approval. The aggregate principal amount of all
25 bonds issued pursuant to this subdivision shall not exceed two
26 billion two hundred fifty million dollars (\$2,250,000,000), and the
27 rate of interest paid on those bonds shall not exceed 8 percent per
28 annum. The authority shall exercise its best efforts to obtain the
29 lowest cost financing possible. Any and all premium obtained shall
30 be used for either of the following:

31 (A) Applied to pay the costs of issuance of the bonds.

32 (B) Deposited in a trust account that is pledged to bondholders
33 and used solely for the payment of interest on, or for repayment
34 of, the bonds.

35 (5) (A) In connection with any financing backed by Proposition
36 1A receivables, the Treasurer may retain financial advisors, legal
37 counsel, and other consultants to assist in performing the duties
38 required by this chapter and related to that financing.

39 (B) Notwithstanding any other provision of law, none of the
40 following shall apply to any agreements entered into by the

1 Treasurer pursuant to subparagraph (A) in connection with any
2 Proposition 1A financing:

3 (i) Section 11040 of the Government Code.

4 (ii) Section 10295 of the Public Contract Code.

5 (iii) Article 3 (commencing with Section 10300) and Article 4
6 (commencing with Section 10335) of, Chapter 2 of Part 2 of
7 Division 2 of the Public Contract Code, except for the authority
8 of the Department of Finance under Section 10336 of the Public
9 Contract Code to direct a state agency to transmit to it a contract
10 for review, and except for Section 10348.5 of the Public Contract
11 Code.

12 (C) Any costs incurred by the Treasurer in connection with any
13 Proposition 1A financing shall be reimbursed out of the proceeds
14 of the financing.

15 (y) *Purchase, with the proceeds of its bonds or its revenue, any*
16 *government receivables sold to the authority pursuant to Section*
17 *6588.7. Government receivables so purchased may be pledged to*
18 *the payment of bonds issued by the authority or may be resold to*
19 *public or private purchasers at public or negotiated sale, in whole*
20 *or in part, separately or together with other government*
21 *receivables purchased by the authority.*

22 ~~(y)~~

23 (z) Set any other terms and conditions on any purchase or sale
24 pursuant to this section as it deems by resolution to be necessary,
25 appropriate, and in the public interest, in furtherance of the
26 purposes of this article.

27 *SEC. 3. Section 6588.7 is added to the Government Code, to*
28 *read:*

29 *6588.7. (a) An authority may purchase, with the proceeds of*
30 *its bonds or its revenue, government receivables from one or more*
31 *local agencies. The authority may pledge, assign, resell or*
32 *otherwise transfer or hypothecate any government receivables for*
33 *the purpose of securing bonds issued to finance the purchase price*
34 *of the government receivables.*

35 *(b) Notwithstanding any other provision of law, local agencies*
36 *may sell government receivables to an authority, at one time or*
37 *from time to time, and enter into one or more sales agreements*
38 *with an authority as, and on, the terms the local agency deems*
39 *appropriate. The sales agreement may include covenants of, and*
40 *binding on, the local agency necessary to establish and maintain*

1 *the security of bonds issued by the authority for the purpose of*
2 *purchasing the government receivables and, if applicable, the*
3 *exclusion from gross income of interest on the bonds for federal*
4 *income tax purposes. Any transfer of some or all of a government*
5 *receivable by a local agency to an authority under this article that*
6 *the governing documents state is a sale shall be treated as an*
7 *absolute sale and transfer of the property so transferred to the*
8 *authority and not as a pledge or grant of a security interest by the*
9 *local agency to secure a borrowing. The characterization of the*
10 *transfer of any government receivable as an absolute sale and*
11 *transfer by the local agency shall not be negated or adversely*
12 *affected by any of the following.*

13 *(1) The fact that only a portion of the government receivable is*
14 *transferred.*

15 *(2) By the local agency's acquisition of an ownership interest*
16 *in any residual interest or a subordinate interest in the government*
17 *receivable*

18 *(3) By any characterization of the authority or its bonds for*
19 *purposes of accounting, taxation, or securities regulation*

20 *(4) By any other factor.*

21 *(c) On and after the effective date of each transfer of a*
22 *government receivable under this article that the governing*
23 *documents state is a sale, the local agency shall have no right,*
24 *title, or interest in or to the government receivable transferred,*
25 *and the government receivable so transferred shall be property of*
26 *the authority and not of the local agency, and shall be owned,*
27 *received, held, and disbursed only by the authority or any trustee*
28 *or agent of the authority appointed by the authority. Any sale of*
29 *some or all of any government receivable shall automatically be*
30 *perfected without the need for physical delivery, recordation, filing,*
31 *or further act, and the provisions of Division 9 of the Commercial*
32 *Code and Sections 954.5 to 955.1, inclusive, of the Civil Code*
33 *shall not apply to the sale. None of the government receivables*
34 *sold by the local agency pursuant to this article shall be subject*
35 *to garnishment, levy, execution, attachment, or other process, writ,*
36 *including, but not limited to, a writ of mandate, or remedy in*
37 *connection with the assertion or enforcement of any debt, claim,*
38 *settlement, or judgment against the local agency. On or before the*
39 *effective date of any sale of a government receivable, the local*
40 *agency shall notify the payor of the government receivable that*

1 *the government receivable has been sold to the authority and*
2 *irrevocably instruct the payor that, as of the effective date,*
3 *payments on the government receivable so sold are to be made*
4 *directly to the authority or any trustee or agent appointed by the*
5 *authority. Any government receivable sold by a local agency but*
6 *received by that local agency shall be held by it in trust solely for*
7 *the benefit of the authority to which the government receivable*
8 *was sold and transferred to the authority or any trustee or agent*
9 *appointed by the authority as soon as possible.*

10 SEC. 4. *Section 6590 of the Government Code is amended to*
11 *read:*

12 6590. The authority may, from time to time, issue its bonds in
13 the principal amount as the authority determines necessary to
14 provide sufficient funds for its purposes, which may include, but
15 shall not be limited to, providing funds for bond purchase
16 agreements, payment of the purchase price of VLF receivables,
17 payment of the purchase price of Proposition 1A receivables,
18 *payment of the purchase price of government receivables*, payment
19 of interest on bonds of the authority, establishment of reserves to
20 secure the bonds, and other expenditures of the authority incident
21 to issuance of the bonds. The authority may also issue bonds for
22 the purpose of making loans to local agencies, to the extent those
23 local agencies are authorized by law to borrow moneys, or to
24 purchase VLF receivables from local agencies as provided in
25 Section 6588.5, ~~or to purchase Proposition 1A receivables as~~
26 ~~provided in Section 6588.6, or to purchase government receivables~~
27 ~~from local agencies as provided in Section 6588.7~~, and the loan
28 or sale proceeds shall be used by the local agencies to pay for
29 public capital improvements, working capital, or insurance
30 programs. The aggregate principal amount of all bonds issued
31 pursuant to this section that are backed by Proposition 1A
32 receivables shall not exceed two billion two hundred fifty million
33 dollars (\$2,250,000,000), and that issuance shall be approved by
34 the Department of Finance and the Treasurer.

35 In the case of any authority in existence on January 1, 1988, no
36 loans shall be made to local agencies for working capital or
37 insurance, unless that purpose is first approved by resolution of
38 the governing body of the authority by unanimous vote of all
39 members of the governing body.

1 SEC. 5. Section 6591 of the Government Code is amended to
2 read:

3 6591. (a) The authority is authorized from time to time to issue
4 bonds to provide funds to achieve its purposes.

5 (b) Bonds may be authorized to finance any of the following:

6 (1) A single public capital improvement, working capital,
7 purchase of VLF receivables, purchase of Proposition 1A
8 receivables, *purchase of government receivables*, or insurance
9 program for a single local agency.

10 (2) A series of public capital improvements, working capital,
11 purchases of VLF receivables, purchase of Proposition 1A
12 receivables, *purchase of government receivables*, or insurance
13 program for a single local agency.

14 (3) A single public capital improvement, working capital,
15 purchases of Proposition 1A receivables, or purchases of VLF
16 receivables, *purchase of government receivables*, or insurance
17 program for two or more local agencies.

18 (4) A series of public capital improvements, working capital,
19 purchases of VLF receivables~~or~~, purchases of Proposition 1A
20 receivables, *purchase of government receivables*, or insurance
21 programs for two or more local agencies.

22 (c) Bonds issued for the purpose of financing working capital
23 shall be used to make loans to local agencies for any of the
24 purposes for which a local agency may borrow money pursuant
25 to Section 53852. The loans shall be repaid in accordance with the
26 terms of Section 53854.

27 (d) Except as otherwise expressly provided by the authority,
28 every issue of its bonds shall be general obligations of the authority
29 payable from any revenues or moneys of the authority available
30 therefor and not otherwise pledged. These revenues or moneys
31 may include the proceeds of additional bonds, subject only to any
32 agreements with the holders of particular bonds pledging any
33 particular revenues or moneys. Notwithstanding that the bonds
34 may be payable from a special fund, these bonds shall be deemed
35 to be negotiable instruments for all purposes, subject only to the
36 bond registration provisions.

37 (e) (1) The bonds may be issued as serial bonds or as term
38 bonds, or the authority may issue bonds of both types. The bonds
39 shall be authorized by resolution of the authority and shall, as

1 provided by the resolution or indenture pursuant to which the bonds
2 are issued, meet all of the following conditions:

3 (A) Bear the date of issuance.

4 (B) Bear the time of maturity, not exceeding 50 years from their
5 date of issuance.

6 (C) Bear the rate of interest, either fixed or variable, and, if
7 variable, not in excess of the maximum rate of interest specified
8 therein.

9 (D) Be payable as to principal and interest at the time or times
10 provided.

11 (E) Be in the denominations and in the form provided.

12 (F) Carry the registration privileges provided.

13 (G) Be executed in the manner provided.

14 (H) Be payable in lawful money of the United States at the place
15 or places provided within or without the state.

16 (I) Be subject to the terms of redemption provided.

17 (2) Notwithstanding paragraph (1), the bonds backed by
18 Proposition 1A receivables shall have a maturity date no later than
19 August 1, 2013.

20 (3) For bonds backed by Proposition 1A receivables, both of
21 the following shall apply:

22 (A) The option to call shall be exercised upon receipt by the
23 authority of a timely written notification from the Director of
24 Finance, but no earlier than 30 days after delivery by the director
25 of a written notice of the intent to do so to the Joint Legislative
26 Budget Committee.

27 (B) The bonds may bear interest payable on periodic interest
28 payment dates or may accrue interest to their maturity date or any
29 combination thereof, subject to the approval of the Department of
30 Finance and the State Treasurer pursuant to subdivision (x) of
31 Section 6588.

32 (f) The bonds shall be sold by the authority at the time and in
33 the manner set out in the authority's resolution. The sale may be
34 a public or private sale, and for price or prices, and on terms and
35 conditions as the authority determines proper, after giving due
36 consideration to the recommendations of any local agency to be
37 assisted from the proceeds of the bonds. Pending preparation of
38 the definitive bonds, the authority may issue interim receipts,
39 certificates, or temporary bonds which shall be exchanged for
40 definitive bonds. For bonds backed by Proposition 1A receivables,

1 the authority shall use its best efforts to obtain the lowest overall
2 cost of the bonds, and shall certify that it so used its best efforts.
3 The authority shall, in consultation with the Treasurer and
4 Department of Finance, structure the sale of the bonds backed by
5 Proposition 1A receivables and shall include those terms and
6 conditions approved by the Treasurer and the Department of
7 Finance.

8 (g) In the case of bonds issued by an authority, on or after
9 January 1, 1995, for the purpose of purchasing bonds of a local
10 agency, all of the bonds of the local agency shall be purchased by
11 the authority from the proceeds of the authority bonds within 90
12 days of the date of issuance of the authority bonds. Nothing in this
13 subdivision shall be construed to preclude an authority from issuing
14 parity bonds at any time.

15 *SEC. 6. Section 6592 of the Government Code is amended to*
16 *read:*

17 6592. Any resolution authorizing any bonds or any issue of
18 bonds may contain the following provisions, which shall be a part
19 of the contract with the holders of the bonds to be authorized:

20 (a) Provisions pledging the full faith and credit of the authority,
21 or pledging all or any part of the revenues of any public capital
22 improvements, or any revenue-producing contract or contracts
23 made by the authority with any local agency, any VLF receivables
24 purchased pursuant to Section 6588.5, any Proposition 1A
25 receivables purchased pursuant to Section 6588.6, *any government*
26 *receivables purchased pursuant to Section 6588.7*, or any other
27 moneys of the authority, to secure the payment of the bonds, and
28 of any special account, subject to those agreements with
29 bondholders as may then exist.

30 (b) Provisions setting out the rentals, fees, purchase payments,
31 loan repayments, and other charges, and the amounts to be raised
32 in each year thereby, and the use and disposition of the revenues.

33 (c) Provisions setting aside reserves or sinking funds, and the
34 regulation and disposition thereof.

35 (d) Limitations on the right of the authority or its agent to restrict
36 and regulate the use of the public capital improvements to be
37 financed out of the proceeds of the bonds or any particular issue
38 of bonds.

1 (e) Limitations on the purpose to which the proceeds of sale of
2 any issue of bonds may be applied, and pledging the proceeds to
3 secure the payment of the bonds or any issue of the bonds.

4 (f) Limitations on the issuance of additional bonds, the terms
5 upon which additional bonds may be issued and secured, and the
6 refunding of outstanding bonds.

7 (g) The procedure, if any, by which the terms of any contract
8 with bondholders may be amended or abrogated, the amount of
9 bonds and the holders thereof that are required to give consent
10 thereto, and the manner in which the consent may be given.

11 (h) Limitations on expenditures for operating, administrative,
12 or other expenses of the authority.

13 (i) Definitions of acts or omissions to act which constitute a
14 default in the duties of the authority to holders of its obligations,
15 and providing the rights and remedies of the holders in the event
16 of a default.

17 (j) The mortgaging of any public capital improvements and the
18 site thereof for the purpose of securing the bondholders.

19 (k) The mortgaging of land, improvements, or other assets
20 owned by a local agency for the purpose of securing the
21 bondholders.

22 (l) Procedures for the selection of public capital improvements
23 to be financed with the proceeds of the bonds authorized by the
24 resolution, if the bonds are to be sold in advance of designating
25 the public capital improvements and the local agency to receive
26 the financing.

27 *SEC. 7. Section 6599.3 of the Government Code is amended*
28 *to read:*

29 6599.3. Notwithstanding any other provision of law, an action
30 may be brought under Chapter 9 (commencing with Section 860)
31 of Title 10 of Part 2 of the Code of Civil Procedure, to determine
32 the validity of any bonds issued under this article to finance the
33 purchase of bonds for local agencies, the financing of public capital
34 improvements, ~~or the purchase of VLF receivables pursuant to~~
35 ~~Section 6588.5 or, Proposition 1A receivables pursuant to Section~~
36 ~~6588.6, or government receivables pursuant to Section 6588.7,~~
37 ~~and any contracts of sale of VLF receivables or, Proposition 1A~~
38 ~~receivables, or government receivables entered into by any local~~
39 ~~agency, and any related documents. If an action is commenced,~~
40 ~~the action shall be brought in the jurisdiction in which the authority~~

1 maintains its principal office and is not required to be brought in
2 the jurisdiction or jurisdictions of any of the local agencies.
3 However, publication of summons, as provided in Section 861 of
4 the Code of Civil Procedure, shall be made in the county in which
5 the authority maintains its principal office and in each county in
6 which any local agency that has sold bonds to the authority, for
7 which a public capital improvement is being financed or that has
8 entered into a sales agreement for a VLF receivable or a Proposition
9 1A receivable *or government receivable* where the authority is
10 located.

11 ~~SECTION 1. Section 53508.9 of the Government Code is~~
12 ~~amended to read:~~

13 ~~53508.9. (a) Notwithstanding Section 53508.7, a local agency~~
14 ~~may sell bonds at a negotiated sale for a price at, above, or below~~
15 ~~par value, as authorized by the legislative body, without further~~
16 ~~approval, if the legislative body adopts a resolution before the~~
17 ~~negotiated sale, as an agenda item at a public meeting, that includes~~
18 ~~all of the following:~~

- 19 ~~(1) Express approval of the negotiated method of sale.~~
20 ~~(2) Statement of the reasons for selecting the negotiated method~~
21 ~~of sale.~~
22 ~~(3) Disclosure of the identity of the bond counsel.~~
23 ~~(4) Disclosure of the identity of the bond underwriter and the~~
24 ~~financial adviser, if used for the negotiated bond sale. If a bond~~
25 ~~underwriter or financial adviser has not been selected at the time~~
26 ~~the legislative body adopts the resolution, the legislative body shall~~
27 ~~disclose the identity at the public meeting first occurring after the~~
28 ~~bond underwriter or financial adviser has been selected.~~

29 ~~(5) Estimate of the costs associated with the bond issuance.~~
30 ~~(b) For purposes of this section, the following definitions shall~~
31 ~~apply:~~

- 32 ~~(1) "Legislative body" means the governing body of a local~~
33 ~~agency.~~
34 ~~(2) "Local agency" means a city, county, city and county, and~~
35 ~~special district. "Special district" means an agency of the state~~
36 ~~formed for the performance of governmental or proprietary~~
37 ~~functions within limited geographic boundaries, and does not~~
38 ~~include a school district or community college district.~~